Government of
Saskatchewan

# Annual Report
# 1988

## Saskatchewan
## Pension Plan

For the Year Ended
December 31, 1988

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# Letter of Transmittal

Her Honour,
The Honourable Sylvia O. Fedoruk, O.C., S.O.M.,
Lieutenant Governor
Province of Saskatchewan

Your Honour:

I have the honour to submit the Annual Report of the Saskatchewan Pension Plan for the Year ended December 31, 1988.

Respectfully submitted,

Lorne H. Hepworth
Minister Responsible
Saskatchewan Pension Plan

# General Manager's Report

In 1988, the Saskatchewan Pension Plan (SPP) introduced a number of important initiatives.

Amendments were made to SPP legislation after many plan members and other interested individuals made suggestions for change. The enhancements make the plan more attractive to its members by:

- allowing members to contribute more money, ensuring a larger retirement pension;
- making it easier to calculate income for the purpose of determining the government matching contribution;
- simplifying the annual contribution calculation;
- allowing people to contribute to the SPP when receiving benefits from the Canada Pension Plan.

A new Chairperson and Board of Trustees were appointed for the SPP, and the plan began hiring permanent management staff. Plan membership totalled almost 43,000 members at the end of the calendar year, and investments earned an excellent rate of return at 10.4 per cent.

The SPP continues to be recognized as one of the most exciting, innovative retirement savings plans ever introduced by a government. I am confident that the SPP will continue to meet the challenges presented it in the years ahead.

Theresa A. Holizki

Theresa A. Holizki

# Plan Description

**Objectives**

The Saskatchewan Pension Plan was established in 1986 to give Saskatchewan residents a greater opportunity to retire with security and dignity. It is the first plan of its kind in North America.

Any Saskatchewan resident between the ages of 18 and 65 can join the plan regardless of employment status, income, or membership in another plan. An individual participating in the plan must be a Saskatchewan resident with a valid Saskatchewan Health Services Card as of December 31 for each year he or she contributes. Future legislative amendments will allow members to continue to contribute to the plan even if they leave the province.

**Key Features**

The SPP is a modified money purchase plan governed by the Saskatchewan Pension Plan Act, its amendments and regulations, and is administered by a Board of Trustees.

A unique feature of the plan is that the amount a member is able to contribute is not based on his or her employment earnings. Thus, the SPP allows people to contribute to a pension plan who might not otherwise qualify for enrolment in the Canada Pension Plan or private pension plans. It is also of particular interest to those who wish to supplement their pensions, such as part-time workers whose contributions to CPP or other private plans are low and will only provide them with small pensions upon retirement.

The SPP has more innovative features: the government will match contributions of people with little or no income who might not be able to afford a substantial contribution of their own; and, for people with little or no income approaching retirement there is the added benefit of the guaranteed minimum pension.

Money paid into the fund by a member cannot exceed $600 per plan year. Contributions to the plan year may be made up to 60 days after the end of the calendar year. All SPP contributions are tax deductible for the member within RRSP limits.

Depending on the member's income, the Government of Saskatchewan may contribute up to $300 in matching contributions per plan year. Personal and government matching contributions are credited to members' accounts in the Contribution Fund. These monies are invested and the net income is credited annually to the members' accounts. Annual contributions and earnings accumulate in each person's account until retirement, when the accumulated amount is used to provide an annuity.

Members select one of three types of annuities to provide pension benefits – a Life Annuity, Refund Life Annuity, or Joint and Last Survivor Life Annuity. The Joint and Last Survivor Annuity pays benefits to the joint annuitant at a rate of 60%, 75%, or 100% of the benefits previously paid to the SPP retiree.

**Plan Demographics**

- Plan membership of 42,662 members.
- Membership distribution:
  - Female 80.7%
  - Male 19.3%
- Occupation:
  - Homemaker 55.1%
  - Part-time employee 21.4%
  - Farmer 13.8%
  - Self-employed 8.2%
  - Full-time 7.7%
  - Other 5.3%

The total for employment categories exceeds the number of contributors because some contributors have indicated they fall into more than one category.

# Finance and Administration

The Saskatchewan Pension Plan experienced another successful year in 1988.

Continued support from the residents of Saskatchewan resulted in plan assets almost doubling in size over the previous year. Investment markets strengthened and members enjoyed a 10.4% rate of return on their accounts.

Members took advantage of the 1988 changes to the plan which allowed them to contribute more individually, as the average personal contribution rose by approximately $50 in the year.

Low income earners continued to be the primary contributors to the plan. The average income of the entire membership for the 1988 government match was $8,717.

Towards year end, the SPP became a shareholder in the Investment Corporation of Saskatchewan which is responsible for managing the investments of Saskatchewan's public sector pension plans.

# Marketing and Communications

Six thousand new members joined the SPP during the 1988 fiscal year bringing total membership to almost 43,000 members. Plan demographics did not change significantly from the previous year.

Marketing plans were designed to increase awareness of and membership in the SPP. Target groups continued to be women, small business employers and employees, farmers and youth.

The SPP achieved its membership goals through a variety of marketing and communication methods: advertising; distribution of plan materials to institutions with public access; direct mailings; liaison with the media; public displays; and provision of public speakers on request.

An extensive SPP board tour was organized for late 1988 and early 1989. Board members met with community representatives throughout the province as part of their campaign to increase plan awareness. The board visited the communities of Maple Creek, Assiniboia, Davidson, Rosetown, and North Battleford during the fall months, and made plans to visit a further 11 communities in 1989 (Wadena, Prince Albert, Yorkton, Meadow Lake, Grenfell, Hudson Bay, Tisdale, Estevan, Kindersley, Weyburn, and Yorkton).

In addition to the above marketing activities, the Marketing and Communications Branch provided communication materials and information to plan members and the general public throughout the year.

# Application/Contribution Processing

The Application and Contribution Processing Branch processed 6,000 applications during 1988, and $11,000,000 in member contributions.

It also completed special projects related to the issue and control of tax receipts, annual statements, and income verification.

While these projects consumed much of the branch time, the application and contribution area also played a very important role in responding to members' inquiries and concerns by mail and by telephone.

In 1988, the branch developed a record retention policy for SPP records. It also played a major role in the planning process for a new computer system.

# Retirement/Payroll Processing

At the end of 1988, there were 2,261 retired Saskatchewan Pension Plan members who had received approximately $775,000 in retirement benefits.

The branch handled thousands of inquiries during the year in addition to retiring members and processing their benefits for retirement. Inquiries varied from requests for general information, publications, and account information.

The branch also planned, developed, and implemented a direct deposit of benefits system for retirees. Saskatchewan Pension Plan members responded favourably to this change, and the SPP was able to issue pension benefits more cost-effectively.

At year end, the branch had initiated the process of automating the production of retirement packages in order to provide the packages more quickly and easily to members.

## Systems Development and Administration

A number of significant changes and developments were made in the systems area in 1988. Some of the changes were made to provide immediate improvements in service to members and others will help provide better service in the future.

The branch worked with the retirement area to provide improved service to retired members by directly depositing their pension cheques to their bank accounts. This service guarantees members will have their benefits in their accounts by the first day of the month for which they are payable.

A strategic plan for SPP systems requirements was completed in late 1988, and the first steps towards delivery of a production system were undertaken. The new system is expected to be ready in late 1989 and will greatly improve the plan's capacity to handle increased volumes of work while keeping costs under control.

In addition to the above, the systems branch had the responsibility, on an ongoing basis, to satisfy the processing, reporting, member and management service requirements of the SPP.

## 1989 – The Year Ahead

- The SPP will introduce a number of legislative changes, including amendments which will allow members to continue contributing to the plan even if they leave the province. These members will not receive a government matching contribution and may have to pay a nominal administrative fee.
- Work will continue on a new computer system which will better serve the needs of the SPP and its membership.
- The SPP will move away from interim investment strategies and will adopt long term policies for investment. These changes will help to preserve the earnings potential of the funds and help insulate funds against fluctuating interest rates.
- Retirement packages will be automated.
- SPP publications will be revised, and new publications will be developed for small businesses and retirees.

## Saskatchewan Pension Plan Board of Trustees

*Front row (left to right): Debby Bryden, Theresa A. Holizki (Chairperson), Pat Weir, Cheryl Moroz;*
*Back row (left to right): Myles Morin, Claire Heron, Linda Taillon, Margaret Harris, Marlene Dow, Brenda Lowey, Ronald (Bud) Walker;*
*Absent: Jake Braun, Joan Sulewski*

# Auditors' Report

To the Members of the
Legislative Assembly of Saskatchewan

We have examined the statement of net assets available for benefits of the Saskatchewan Pension Plan as at December 31, 1988 and the statement of changes in net assets available for benefits for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Plan as at December 31, 1988 and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ernst & Young

Regina, Canada
October 13, 1989

Chartered Accountants

## Saskatchewan Pension Plan
## Statement of Net Assets Available for Benefits
## As at December 31, 1988

| | Note Ref. | Contribution Fund 1988 | Contribution Fund 1987 | Guarantee Fund 1988 | Guarantee Fund 1987 | Annuity Fund 1988 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash | | $ 330,746 | $ 229,867 | $ 67,096 | $ 36,095 | $ 11,626 |
| Investments | (3) | 42,224,467 | 21,267,796 | 2,588,696 | 79,801 | 189,905 |
| Government Receivable | (4) | | | | | |
| Matching Contributions | | (96,705) | 1,547,316 | | | |
| Pension Supplement | | | | (3,219) | (36,862) | |
| Operating Expenses | | 539,227 | 163,815 | | | |
| Accrued Interest | | 1,055,575 | 504,400 | 82,450 | 1,688 | 3,634 |
| Prepaid Retirement Transfers | | 163,296 | | | | |
| Prepaid Pension Benefits | | | | 68,589 | | 2,386 |
| Due From (To) Other Funds | (5) | (86,849) | (877,937) | 85,689 | 877,937 | 1,160 |
| | | 44,129,757 | 22,835,257 | 2,889,301 | 958,659 | 208,711 |
| **LIABILITIES** | | | | | | |
| Operating Expenses Payable | | 539,227 | 163,815 | | | |
| Benefits, Refunds Payable | | 4,562 | 29,229 | | | |
| Deferred Retirement Transfers | | | | 144,915 | | 18,381 |
| Deferred Pension Supplement | | | | 40,959 | | |
| | | 543,789 | 193,044 | 185,874 | 0 | 18,381 |
| **NET ASSETS AVAILABLE FOR BENEFITS** | (6) | $ 43,585,968 | $ 22,642,213 | $ 2,703,427 | $ 958,659 | $ 190,330 |

ON BEHALF OF THE TRUSTEES:

Theresa A. Holizki

Theresa A. Holizki

Patricia D. Weir

Patricia D. Weir

(See Accompanying Notes)

## Saskatchewan Pension Plan
## Statement of Changes in Net Assets Available for Benefits
## For the Year Ended December 31, 1988

| | Note Ref. | Contribution Fund 1988 | Contribution Fund 1987 | Guarantee Fund 1988 | Guarantee Fund 1987 | Annuity Fund 1988 |
|---|---|---|---|---|---|---|
| **INCREASES IN ASSETS** | | | | | | |
| Member Contributions | | $ 10,643,002 | $ 11,825,906 | | | |
| Government Contributions | | 8,670,872 | 10,300,951 | | | |
| Investment Earnings | | 3,710,881 | 1,103,234 | $ 183,120 | $ 40,699 | $ 7,273 |
| Retirement Transfers | | (1,969,086) | (971,812) | 1,776,287 | 971,812 | 192,799 |
| Guaranteed Pension Supplement | | | | 320,711 | 106,314 | |
| Expenses Recovered | (7) | 2,097,699 | 1,592,958 | | | |
| | | 23,153,368 | 23,851,237 | 2,280,118 | 1,118,825 | 200,072 |
| **DECREASES IN ASSETS** | | | | | | |
| Death Benefits, Refunds | | 111,914 | 94,437 | 1,588 | | |
| Annuity Benefits | | | | 533,762 | 160,166 | 9,742 |
| Operating Expenses | (7) | 2,097,699 | 1,592,958 | | | |
| | | 2,209,613 | 1,687,395 | 535,350 | 160,166 | 9,742 |
| Net Change In Assets | | 20,943,755 | 22,163,842 | 1,744,768 | 958,659 | 190,330 |
| **NET ASSETS AVAILABLE BEGINNING OF YEAR** | | 22,642,213 | 478,371 | 958,659 | 0 | 0 |
| **NET ASSETS AVAILABLE END OF YEAR** | | $ 43,585,968 | $ 22,642,213 | $ 2,703,427 | $ 958,659 | $ 190,330 |

(See Accompanying Notes)

# Saskatchewan Pension Plan
# Notes To The Financial Statements
# December 31, 1988

## 1. Status of the Plan

The Saskatchewan Pension Plan (the Plan), was established pursuant to "The Saskatchewan Pension Plan Act" (the Act). It is a voluntary money purchase retirement savings plan. Eligible members between the ages of 18 and 65 can make contributions and, depending on their income, receive a matching contribution from the Government of Saskatchewan up to a maximum of $300 per year. Qualifying retiring members receive a guaranteed minimum pension in which the Government supplements the members pension with additional benefits. The Plan is a prescribed provincial plan under the Income Tax Act and as such is not subject to income tax.

The following Funds were established to account for the Plan:

(a) Contribution Fund
This Fund was established to accumulate the contributions, government matching contributions and earnings of non-retired members.

(b) Guarantee Fund
This Fund was established for retired members or their beneficiaries entitled to receive the guaranteed minimum pension.

(c) Annuity Fund
This Fund was established for retired members or their beneficiaries that are not entitled to the guaranteed minimum pension.

## 2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following are considered to be significant:

(a) Basis of Accounting
The financial statements are prepared on the accrual basis of accounting.

(b) Investments
(i) Contribution Fund
Investments are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers, or in the absence of recorded sales, by reference to closing year end bid and ask prices. Short term investments are valued at cost which approximates market.

(ii) Guarantee and Annuity Funds
Investments are recorded at the present value of future cash flows discounted at the effective yield on the date of purchase. Short term investments are valued at cost which approximates market.

(c) Fixed Assets
Fixed assets acquired during the period of establishing the Plan, which are financed by the Government of Saskatchewan and to which the members do not have the right to any residual interest, are recorded as operating expenses. Fixed assets acquired subsequent to the period of establishing the Plan will be capitalized and depreciated over their estimated useful lives.

## 3. Investments

| | 1988 | 1987 |
|---|---|---|
| (a) Contribution Fund: | | |
| Short term notes | $ 26,663,810 | $ 11,290,712 |
| Bonds | 13,058,688 | 9,757,084 |
| Convertible Bonds | 1,572,500 | 220,000 |
| Equities | 929,469 | 0 |
| | $ 42,224,467 | $ 21,267,796 |
| (b) Guarantee Fund: | | |
| Short term notes | $ 2,508,892 | $ 0 |
| Bonds | 79,804 | 79,801 |
| | $ 2,588,696 | $ 79,801 |
| (c) Annuity Fund: | | |
| Short term notes | $ 189,905 | |

## 4. Government Receivable

During the year the Plan receives interim advances from the government for matching contributions based on estimates of what will be required. Subsequent to year end, members' incomes are verified with Revenue Canada Taxation and a final receivable (payable) is determined.

The Plan also receives an interim advance from the government for the estimated guaranteed minimum pension supplement. Subsequent to year end, a final receivable (payable) is determined.

## 5. Due From (To) Other Funds

This represents the amount of any retired members' balance and accrued interest which had not been transferred from the Contribution Fund to the Guarantee and Annuity Funds at the end of the year.

## 6. Actuarial Valuation of Pension Liability

An actuarial valuation was performed on the Plan as at December 31, 1988 by The Alexander Consulting Group. The valuation method used was the accrued benefit cost method utilizing the 1983 Group Annuity Mortality Table. The results of this valuation are summarized below:

(a) Guarantee Fund:

| | 1988 | 1987 |
|---|---|---|
| Net Assets Available | $ 2,703,427 | $ 958,659 |
| Basic Pension Liability | 2,726,353 | 961,921 |
| Deficit | $ (22,926) | $ (3,262) |

(b) Annuity Fund:

| | |
|---|---|
| Net Assets Available | $ 190,330 |
| Basic Pension Liability | 184,099 |
| Surplus | $ 6,231 |

The Government of Saskatchewan is responsible for funding additional benefits to qualifying retirees under the guaranteed minimum pension formula. The actuarially determined present value of these supplementary benefits as at December 31, 1988 was $3,962,102 (1987 $1,460,111). This amount is funded by the government as pension payments are made.

The government is responsible for funding additional benefits to qualifying members who may retire under the guaranteed minimum pension formula in the future. The amount of these supplementary benefits cannot be determined at this time. Any such amounts will also be funded by the government as pension payments are made.

## 7. Operating Expenses

During the period of establishing the Plan, the Act provides that the provincial government will pay the operating costs. Subsequent to the period of establishing the Plan, the operating expenses are to be a charge upon the Funds and allocated in proportion to the earnings of each Fund.

## 8. Related Party Transactions

The Plan conducts a portion of its transactions with Saskatchewan Crown controlled agencies, departments and corporations. These transactions are at prevailing market rates and are settled on normal trade terms.

## 9. Comparative Figures

The Annuity Fund did not become active until 1988, therefore no comparative figures are presented.

(Unaudited)

# Saskatchewan Pension Plan
## Schedule of Investment Activity
## For The Year Ended December 31, 1988

| Description | | | | Par Value or Number of Shares | | | |
|---|---|---|---|---|---|---|---|
| | | | | Jan 1/88 | Additions | Disposals | Dec. 31/88 |
| **Contribution Fund** | | | | | | | |
| **(i) Short Term** | | | | 11,290,712 | 101,523,689 | 84,919,401 | 27,895,000 |
| **(ii) Bonds** | | | | | | | |
| Airport Dev. Corp Terminal #3 | 12.100% | Oct 31 | 2008 | | 750,000 | | 750,000 |
| Cambridge Leaseholds Ltd. | 10.700% | Mar 31 | 2007 | 500,000 | | 4,350 | 495,650 |
| Canadian Oil Debco Inc. | 11.000% | Oct 31 | 2000 | 593,000 | | | 593,000 |
| Canadian Utilities Ltd. | 12.000% | Oct 15 | 2007 | 550,000 | | | 550,000 |
| Consumers Gas Co. Ltd. | 10.600% | Jul 6 | 2012 | 500,000 | | | 500,000 |
| Domtar Inc. | 10.000% | Apr 15 | 2011 | 420,000 | | | 420,000 |
| Domtar Inc. | 10.850% | Aug 5 | 2017 | 500,000 | | | 500,000 |
| Loblaw Companies Ltd. | 10.000% | Apr 15 | 2007 | 1,000,000 | | | 1,000,000 |
| Marathon Realty Co. Ltd. | 10.500% | Aug 15 | 2006 | 500,000 | | | 500,000 |
| Nova Corporation of Alberta | 11.950% | Oct 1 | 2007 | 500,000 | | | 500,000 |
| Ontario Hydro | 9.750% | May 1 | 2005 | 500,000 | | | 500,000 |
| Ontario Hydro | 9.750% | June 27 | 2008 | | 750,000 | | 750,000 |
| Ontario Hydro | 10.000% | May 10 | 2009 | 300,000 | | | 300,000 |
| Ontario Hydro | 10.250% | Apr 4 | 2009 | | 750,000 | | 750,000 |
| Ontario Hydro | 10.500% | Jan 15 | 2010 | | 500,000 | | 500,000 |
| Power Financial Corp. | 10.600% | Jan 16 | 2006 | 1,000,000 | | | 1,000,000 |
| Province of New Brunswick | 10.000% | Feb 25 | 1998 | | 500,000 | | 500,000 |
| Province of Newfoundland | 11.000% | Mar 4 | 2006 | 500,000 | | | 500,000 |
| Province of Quebec | 9.000% | Feb 10 | 2012 | 500,000 | | | 500,000 |
| Province of Saskatchewan | 9.625% | Dec 30 | 2004 | 500,000 | | | 500,000 |
| Quebec Hydro | 10.750% | Mar 27 | 2004 | 500,000 | | | 500,000 |
| Royal Trust | 10.200% | Aug 1 | 1997 | 500,000 | | | 500,000 |
| TransCanada PipeLines Ltd. | 10.800% | Jul 20 | 2002 | 500,000 | | | 500,000 |
| Xerox Canada Finance Inc. | 12.150% | Oct 15 | 2007 | 500,000 | | | 500,000 |
| TOTAL | | | | 10,363,000 | 3,250,000 | 4,350 | 13,608,650 |
| **(iii) Convertible Bonds** | | | | | | | |
| Alberta Energy Co. Ltd. | 7.250% | Sep 30 | 2003 | 250,000 | | | 250,000 |
| Pacific Western Airlines Corp. | 7.625% | Dec 30 | 1996 | | 500,000 | | 500,000 |
| Repap Enterprises Corp. Inc. | 9.000% | Jun 30 | 1998 | | 500,000 | | 500,000 |
| Stelco Inc. | 7.750% | Aug 31 | 1998 | | 500,000 | | 500,000 |
| TOTAL | | | | 250,000 | 1,500,000 | 0 | 1,750,000 |
| **(iv) Equities** | | | | | | | |
| Enerplus Resources Corp. | | | Series D | | 50,000 | | 50,000 |
| Inco Limited | | | Common | | 3,500 | | 3,500 |
| Investment Corp. of Saskatchewan | | | Class A | | 400 | | 400 |
| Investment Corp. of Saskatchewan | | | Class B | | 6,506 | | 6,506 |
| RY NT Financial Corp. | | | Cap Shares | | 25,000 | | 25,000 |
| TOTAL | | | | 0 | 85,406 | 0 | 85,406 |
| **Guarantee Fund** | | | | | | | |
| **(i) Short term** | | | | | 2,790,000 | 155,000 | 2,635,000 |
| **(ii) Bonds** | | | | | | | |
| Domtar Inc. | 10.000% | Apr 15 | 2011 | 80,000 | | | 80,000 |
| TOTAL | | | | 80,000 | 0 | 0 | 80,000 |
| **Annuity Fund** | | | | | | | |
| **(i) Short term** | | | | 0 | 235,000 | 35,000 | 200,000 |